

Message Text

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C O N F I D E N T I A L STOCKHOLM 5588

E.O. 11652: GDS

TAGS: EFIN, PFOR, EAID, EEC, KN, SW

SUBJECT: DEBT RESCHEDULING FOR NORTH KOREA

REF: A. STATE 228972

B. STOCKHOLM A-44, FEB. 11, 1975

1. ACCORDING TO A RECENT REPORT IN A SWEDISH BUSINESS JOURNAL, VECKANS AFFARER, THE SUBSTANCE OF WHICH HAS BEEN INFORMALLY CONFIRMED BY OFFICIAL SOURCES, THE STATUS OF SWEDISH/NORTH KOREAN TRADE DEBT ISSUE IS AS FOLLOWS: MOST OF THE SWEDISH TRADE DEBTS AROSE FROM SALES CONTRACTS MADE IN 1973 AND 1974, CONFIDENTIAL

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AND THEY TOTAL BETWEEN SKR 600-700 MILLION, OF WHICH BETWEEN

SKR 60-70 MILLION HAVE BEEN PAID (SKR 4.35 EUALS US \$1.00); THE OVERDUE PAYMENTS AS OF MID-OCTOBER 1975 TOTALED ABOUT SKR 30 MILLION; AND SWEDISH FIRMS INVOLVED IN SALES ARE MAINLY LARGE FIRMS, SUCH AS ATLAS COPCO, MORGARDSHAMMER AND SALA INTERNATIONAL, WHICH SOLD MINING MACHINERY AND EQUIPMENT. OVERDUE ACCOUNTS CURRENTLY AFFECT THESE FIRMS. OTHER FIRMS INVOLVED IN SALES TO NORTH KOREA INCLUDE: VOLVO (PASSENGER CARS AND TRUCKS); KOKUMS INDUSTRI (MATERIAL HANDLING EQUIPMENT); AND ASEA (ELECTRICAL EQUIPMENT FOR MINING AND SHIP USE). MOST OF THE SWEDISH PRIVATE CREDITS TO NORTH KOREA RUN UP TO FIVE YEARS.

2. REGARDING THE REPORTED DEBT RESCHEDULING MEETING IN PARIS IN SEPTEMBER, SWEDEN DID NOT PARTICIPATE, ALTHOUGH A MINISTRY OF COMMERCE SOURCE DID ALLOW THAT SWEDEN HAD AN OBSERVER. BASED ON INFORMAL CONVERSATIONS WHICH EMBOFF HAS HAD WITH SEVERAL GOVERNMENT SOURCES, REGARDING SWEDISH TRADE WITH NORTH KOREA, SWEDISH GOVERNMENT SEES NO REASON AT THIS TIME TO RESORT TO ANY SPECIAL MEASURES TO OBTAIN PAYMENT; MOREOVER, QUOTING THE CHAIRMAN OF THE SWEDISH EXPORT CREDIT GUARANTEE BOARD, WHICH GUARANTEES 90 PERCENT OF THE VALUE OF PRIVATE CREDITS EXTENDED BY SWEDISH FIRMS, HE SAID "WE HAVE NO REASON TO MISTRUST NORTH KOREANS" ABILITY TO HONOR THEIR DEBTS", AND "THEY HAVE INDICATED A FIRM DETERMINATION TO SETTLE THEIR DEBTS, AND WE BELIEVE THEM." DESPITE THESE STRONG STATEMENTS SUPPORTIVE OF NORTH KOREAN ABILITY TO PAY, ANOTHER GOVERNMENT SOURCE HAS VOLUNTEERED THAT NO NEW SWEDISH SALES CONTRACT HAS BEEN MADE BY SWEDISH FIRMS WITH NORTH KOREA IN PAST SEVERAL MONTHS.

3. AVAILABLE DATA SHOW SWEDISH EXPORTS TO NORTH KOREA DURING THE FIRST HALF OF 1975 INCREASED SHARPLY TO SKR 103 MILLION (SKR 44 MILLION IN CALENDAR 1974) WHILE IMPORTS OF SKR 725 THOUSAND (SKR 1.0 BILLION IN CALENDAR 1974) REMAINED IN THE DOLDRUMS. EXPORTS CONSISTED OF NON-ELECTRICAL MACHINERY AND INDUSTRIAL EQUIPMENT, TRANSPORTATION EQUIPMENT, ELECTRICAL MACHINERY, AND MANUFACTURES OF METAL. IMPORTS WERE ALMOST ENTIRELY OF NON-FERROUS METALS.

4. ACCORDING TO ANOTHER NEWS REPORT, NORTH KOREA'S TOTAL TRADE DEBTS WITH THE WORLD NOW TOTAL BETWEEN \$700 MILLION AND \$1700 MILLION, OF WHICH WESTERN EUROPEAN COUNTRIES HAVE ABOUT \$200

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MILLION. THESE ESTIMATES ARE FROM AN UNSUBSTANTIATED SOURCE AND WE OFFER THEM ONLY FOR THE PURPOSE OF GIVING AN INDICATION THAT, IF CORRECT, THE SWEDES AND OTHER CREDITORS DO HAVE REASONS TO BE CONCERNED ABOUT OBTAINING EARLY DEBT SETTLEMENT.

5. COMMENT. EMBASSY HAS HAD DIFFICULTY OBTAINING FIRM DATA ON STATUS OF SWEDISH EFFORTS TO OBTAIN PAYMENTS FROM NORTH KOREA BECAUSE THE SWEDISH EXPORT COUNCIL CONSIDERS THIS

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